Energy, Environment and Agriculture Task Force

States and Nation Policy Summit | Washington, DC
Friday, November 30, 2018
2:30 - 5:30 PM
Tentative Agenda

2:30 PM	**Call to Order, Welcome and Introductions**
2:35 PM	**Presentation:** What's Next? *Clean Power Plan Replacement and other EPA Rules*
3:00 PM	**Resolution Concerning the EPA's Underground Injection Control Class VI Rule**
3:10 PM	**Resolution in Support of State Carbon Dioxide Pipeline Corridors**
3:20 PM	**Resolution Supporting Equal Tax Treatment for All Vehicles**
3:35 PM	**Resolution to Oppose Federal Intervention in Competitive Electricity Markets**
3:50 PM	**Resolution to Support Competition and Consumers Choice in Electricity Markets**
4:05 PM	**Presentation:** *Agricultural Policy under the Trump Administration*
4:35 PM	**Resolution Expressing Support for President Donald J. Trump's Energy and Environmental Policy Accomplishments**
4:45 PM	**Resolution Supporting Individual Property Rights; Private Land Use for Energy Development**
4:55 PM	**Presentation:** *Forest Fire Management*
5:20 PM	**Resolution on Wildfire Policy**
5:30PM	**For the Good of the Order**
5:35 PM	**Adjournment**

Energy, Environment and Agriculture Subcommittees

States and Nation Policy Summit | Washington, DC
Wednesday, November 28, 2018
8:30 – 9:30
Tentative Agenda

8:00 AM	**Environment Subcommittee**
8:10 AM	**Discussion of Environmental Resolutions** **Resolution in Support of State Carbon Dioxide Pipeline Corridors**
8:20 AM `	**Resolution Concerning the EPA's Underground Injection Control Class VI Rule** **Model Resolution in Support of State Carbon Dioxide Pipeline**
8:30AM	**Energy Subcommittee**
8:30AM	**Discussion of Resolution to Oppose Federal Intervention in Competitive Electricity Markets**
8:45 AM	**Discussion of Equal Tax Treatment of Vehicles**
8:55 AM	**Discussion of Resolution to Support Competition and Consumers Choice in Electricity Markets**
9:40 AM	**Discussion and Amendments to any other resolutions**
10:00 AM	**Agriculture Subcommittee**
10:05 AM	**Presentation:** Nuisance Lawsuits and Right to farm
10:30 AM	**For the Good of the Order**
10:35 AM	**Public Sector Task Force Tour**

Wyoming
INFRASTRUCTURE AUTHORITY

November 27, 2018

Dear ALEC Members,

The Wyoming Infrastructure Authority (WIA) was created by the Wyoming Legislature in 2004 to expand critical energy related infrastructure to maximize the value of Wyoming's natural resources. One specific focus area is the development and deployment of carbon capture technologies.

As the Executive Director of WIA, I write to express support for two resolutions being considered by ALECs Energy & Environment Task Force:

1. State Primacy Over Class VI Injection Wells
2. State Carbon Dioxide Pipeline Corridor Initiatives

In 2014, Wyoming Governor Matt Mead and legislative leaders funded the construction of the Wyoming Integrated Test Center (ITC), which is a public/private partnership with utilities to build a facility capable of hosting carbon capture research projects. A critical portion of the carbon management economy is the buildout of the entire infrastructure, including storage sites and carbon dioxide pipelines.

Wyoming has a long history of leading in areas of environmental stewardship and resource extraction. These resolutions align with and recognize Wyoming's leadership in carbon management and belief that the states are best positioned to manage their natural resource policies. I encourage support of these two important resolutions.

Sincerely,

Jason Begger
Executive Director

Wyoming Infrastructure Authority
325 W 18th Street, Suite 1 · Cheyenne, WY 82001
307-635-3573 · www.wyia.org

CLOUD PEAK
ENERGY®

November 27, 2018

Dear ALEC Members,

As a representative of Cloud Peak Energy, one of the largest coal producing companies in the United States[1], I write to express support for principles contained in two resolutions being considered by ALEC's Energy & Environment Task Force:

1. *State Primacy Over Class VI Injection Wells*
2. *State Carbon Dioxide Pipeline Corridor Initiatives*

Clean coal projects, including those with carbon capture, are paradoxically constrained by federal bureaucratic regulations. Both the transport of captured carbon dioxide across federal lands and the geologic storage of carbon dioxide virtually anywhere in the United States may necessitate federal approvals with unclear timelines. This permitting uncertainty is a regulatory burden that translates to real costs that discourage project development.

Coal-producing North Dakota and Wyoming are implementing growth-enabling policies that reduce regulatory burdens on the coal industry by shifting the approval process from federal to state agencies.

Although most states have primacy from the US Environmental Protection Agency to regulate conventional oil and gas injection wells, earlier this year North Dakota became the first state to receive state primacy for wells designed for geologic carbon sequestration (known as Class VI). Wyoming has similarly applied for state primacy and is awaiting a final decision.[2]

The state of Wyoming, under the leadership of Governor Matt Mead, is undertaking a multi-year effort to pre-permit over 1,000 miles of carbon dioxide pipeline corridors with federal agencies that are favorable for enhanced oil recovery. By permitting more work upfront, developers will spend less time and resources navigating the federal approval process.[3]

These ALEC resolutions support and encourage these state actions that reduce regulatory red-tape, support clean coal jobs, and promote environmental stewardship. I hope you will join us in supporting their passage.

Sincerely,

Richard P. Reavey
Vice President Public Affairs
Cloud Peak Energy Resources LLC

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1 https://www.eia.gov/coal/annual/pdf/table10.pdf
2 https://www.epa.gov/uic/class-vi-wells-used-geologic-sequestration-co2
3 https://www.wyopipeline.com/projects/wpci/

RESOLUTION SUPPORTING INDIVIDUAL PROPERTY RIGHTS; PRIVATE LAND USE FOR ENERGY DEVELOPMENT

A resolution affirming the preeminence of property rights for economic development and private benefit.

WHEREAS, personal property rights are a foundational principle in our republic, as affirmed by a continuous history of legal due process and "takings" protections against governmental infringement of said rights; and

WHEREAS, these personal property rights have perpetually been linked to the individual prosperity that results from capitalizing the resources and labors on and from one's personal property; and

WHEREAS, government policies that unduly restrict private land use or that create anti-competitive market conditions hinder both the personal and general economic benefits that come from entrepreneurial development on personal property; and

WHEREAS, property owners for generations have profited from oil, gas and mineral rights leases, easement and right-away agreements, and other development projects that leverage the natural resources or geography of their land; and

WHEREAS, new technologies have created free market opportunities for property owners to utilize the value of their land through energy development projects, including fracking, wind and solar deployment, biofuels, etc.; and

WHEREAS, vigilance in protecting personal property rights, among other fundamental rights within a free society, from the increasing reach of both governmental and societal forces has become an urgent necessity.

NOW, THEREFOR BE IT RESOLVED, that {state} supports all federal, state, and local efforts to protect individual property owners rights regarding the development and build of energy projects upon their privately owned land.

RESOLUTION EXPRESSING SUPPORT FOR PRESIDENT DONALD J. TRUMP'S ENERGY AND ENVIRONMENTAL POLICY ACCOMPLISHMENTS

Resolution Expressing Support for President Donald J. Trump's Energy and Environmental Policy Accomplishments

WHEREAS, President Donald J. Trump was elected the 45th President of the United States of America on November 8, 2016 and inaugurated on January 20, 2017; and

WHEREAS, at the 2016 Williston Basin Petroleum Conference in Bismarck, North Dakota, then-candidate Trump delivered a major energy and environmental policy address, outlining some of the priorities of his "America First Energy Plan"; and

WHEREAS, this Energy Plan includes several ambitious policy prescriptions designed to establish American energy dominance and remove regulatory impediments to the use of energy, while at the same time ensuring meaningful environmental protection and continued progress toward cleaner air and water; and

WHEREAS, Executive Order 13783, issued March 28, 2017, finds that "It is in the national interest to promote clean and safe development of our Nation's vast energy resources, while at the same time avoiding regulatory burdens that unnecessarily encumber energy production, constrain economic growth, and prevent job creation," and that "the prudent development of these natural resources is essential to ensuring the Nation's geopolitical security"; and

WHEREAS, many of the policies enumerated in the "America First Energy Plan" have been implemented or undertaken within the first 18 months of the Trump presidency, including (but not limited to) the following:

- Rescinding overly burdensome executive actions and regulations, including the "Clean Power" Plan and the Waters of the U.S. Rule;
- Expanding energy infrastructure by approving all necessary permits for the Keystone XL, Dakota Access, and other pipeline projects;

- Lifting moratoriums on energy production on federal lands, including the Arctic National Wildlife Refuge, and expanding offshore oil and gas drilling;
- Canceling U.S. participation in the UN Paris Climate Treaty and ending all payments of U.S. tax dollars to the UN Green Climate Fund;
- Disbanding the Interagency Working Group on the Social Cost of Greenhouse Gases, and withdrawing various Obama Administration documents related to the implementation of Social Cost of Carbon and other GHGs;
- Discontinuing the use of friendly "sue and settle" lawsuits that have the effect of imposing government policy on behalf of special interests without congressional authorization or input from the states, other interested parties, and the general public;
- Undertaking the prescribed Midterm Evaluation of federal Corporate Average Fuel Economy (CAFE) standards to ensure that input from all stakeholders, including motorists, as well as factors such as technological limitations, cost, safety, and consumer choice, are taken into full consideration; and
- Streamlining the Superfund program to ensure expedited cleanups and remediation and private sector participation.

WHEREAS, these policies have already had a significant impact on energy production, as evidenced by indicators such as the following:

- The U.S. surpassed Saudi Arabia in February 2018 and Russia in August 2018 to become the world's largest producer of crude oil;
- In 2017 the U.S. exported approximately 97 million short tons of coal to other markets around the world, a 61 percent increase in just one year; and
- In terms of job growth, the fastest-growing industry in 2017 was support for mining, growing at an annual rate of roughly 20 percent, more than 13 times the average for all other industries.

NOW THEREFORE BE IT RESOLVED, that {state} expresses support for President Trump's America First Energy Plan and congratulations and appreciation to the Trump Administration for its significant energy and environmental policy accomplishments to date.

RESOLUTION IN SUPPORT OF STATE CARBON DIOXIDE PIPELINE CORRIDORS

WHEREAS, states know best how to steward their environment and natural resources, and

WHEREAS, pipelines are needed to transport carbon dioxide from natural domes and anthropogenic sources to oil fields, and

WHEREAS, over five thousand miles of carbon dioxide pipelines have been built in the United States for the purposes of enhanced oil recovery and other economic purposes, and

WHEREAS, advances in oil extraction and carbon capture technology may drive millions of barrels of oil production each year which will require robust development of additional carbon dioxide pipelines, and

WHEREAS, delays in federal permitting stymie investments in projects that would lead to rural economic development, creation of good jobs, and increasingly clean electricity generation, and

WHEREAS, the state of Wyoming has initiated a process with the federal government to pre-permit over 1,000 miles of "carbon dioxide pipeline corridors" to reduce the regulatory burden on prospective developers, and

WHEREAS, the Wyoming Pipeline Corridor Initiative began in 2014 and is still awaiting federal approval

WHEREAS, no other state has initiated a similar process.

NOW, THEREFORE BE IT RESOLVED, that the State of [NAME] directs [STATE AGENCY] to identify carbon dioxide pipeline corridors and develop a plan to implement a "[STATE] Pipeline Corridor Initiate."

RESOLUTION CONCERNING THE EPA'S UNDERGROUND INJECTION CONTROL CLASS VI RULE

WHEREAS, ~~clean coal~~fossil-power plants and other industrial facilities electing to undertake carbon capture projects for the purposes of geologic sequestration are required to receive approval ~~for carbon sequestration~~ under the Environmental Protection Agency's Class VI rule of the Underground Injection Control program established during the Obama Administration, and

WHEREAS, the uncertainty surrounding Class VI approvals may stymie project investments that would lead to more reliable electric generation and lower emissions of carbon dioxide ~~clean electric generation~~, and

WHEREAS, the failure of the Obama Administration's Environmental Protection Agency to timely approve Class VI permits has been a source of project delays and unnecessary costs, and

WHEREAS, the developer of one of the largest ~~clean coal~~ carbon capture projects cited Class VI as one of the reasons the project failed to move forward, and

WHEREAS, the Environmental Protection Agency has failed to timely reassess whether modifications to the Class VI regulations are "appropriate or necessary" after its stated intent to do so when the rule was originally promulgated, and

WHEREAS, the State of North Dakota applied for primacy on June 2013 during the Obama Administration and did not receive final approval until April 2018 in the Trump Administration, and

WHEREAS, the Trump Administration supported North Dakota's Class VI primacy application because of its federalist approach to protecting drinking water supplies, and

WHEREAS, 34 states already have primacy over other aspects of the Underground Injection Control program.

WHEREARS, state primacy over the Underground Injection Control's Class II well program has been a successful model to promote states' rights, support natural resource development, and protect environmental quality.

NOW, THEREFORE BE IT RESOLVED, that the State of [NAME] directs its [AGENCY] to develop [and execute] a plan to apply for Class VI primacy from the Environmental Protection Agency.

RESOLUTION TO OPPOSE FEDERAL INTERVENTION IN COMPETITIVE ELECTRICITY MARKETS

WHEREAS, the principles of limited government, free markets and federalism at the state level are fundamental to maintaining individual freedom and an economically competitive nation;

WHEREAS, maintaining access to safe, affordable and reliability energy is critical to individual freedom, prosperity and well-being;

WHEREAS, market-oriented energy policies that allow energy to be produced more efficiently at lower costs with fewer economic disruptions and lower environmental impacts are most conducive to protecting individual freedom and economic competitiveness;

WHEREAS, onerous state or federal regulations drive up energy costs, which drives up the costs of goods and services throughout the economy;

WHEREAS, all electric generating resources in a competitive market should compete on a level playing field;

WHEREAS, federal intervention in energy markets should be limited and leave states flexibility to address the needs of their citizens;

WHEREAS, the federal Administration is reportedly considering plans to require consumers to pay above market pricing to certain electricity generation providers that are no longer economically viable;

NOW, THEREFORE, LET IT BE RESOLVED, the United States Government should refrain from intervening in competitive electricity markets by providing a bailout to uneconomic electricity generation providers.

RESOLUTION SUPPORTING EQUAL TAX TREATMENT FOR ALL VEHICLES

WHEREAS, the federal government currently offers a tax credit of $7,500 each for certain types of vehicles up to a threshold of 200,000 per automobile manufacturer; and

WHEREAS, tax credits for politically favored companies or products distort markets and encourage additional lobbying for government favors; and

WHEREAS, tax credits for politically favored companies or products contradict the basic core ALEC principles of limited government and free markets; and

WHEREAS, one of ALEC's Principles of Taxation is "Economic Neutrality," whereby the "purpose of the tax system is to raise needed revenue for core functions of government" and should "exert minimal impact on the spending and decisions of individuals and businesses;" and

WHEREAS, most funding for road construction and maintenance is derived from taxes on gasoline and other liquid fuels; and

WHEREAS, certain vehicles, due to their fuel or propulsion systems, use little or no liquid fuels and therefore do not contribute to the tax revenue used for road construction and maintenance; and

WHEREAS, many non-liquid fuel vehicles are heavier than comparably sized liquid-fueled vehicles, largely due to the onboard battery packs, and thus cause more wear and tear on road infrastructure; and

WHEREAS, the elimination of special-interest tax credits for vehicles, and the establishment of a system under which the owners and operators of all vehicles using public roads share in the cost of construction and maintenance for those roads, do comply with and reflect ALEC's "Economic Neutrality" and "Equity and Fairness" Principles of Taxation;

THEREFORE, BE IT RESOLVED <u>that as a part of revenue-neutral tax reform</u> {state} specifically supports efforts to eliminate federal tax credits for new qualified plug-in electric drive motor vehicles and the creation of an alternative

fuel vehicle user fee whose revenue can be used to support highway construction and maintenance.

RESOLUTION ON WILDFIRE POLICY

WHEREAS, there is a growing number of large, catastrophic wildfires that are impacting communities and their citizens across the West, creating adverse health impacts, destroying billions of dollars in public and private property; and creating significant reliability concerns for the energy sector; and

WHEREAS, wildfire risk is increasing due to a confluence of factors, such as extreme heat, prolonged drought, and insect and disease infestations; development continues to encroach into the wildland-urban interface where people and structures co-exist with fire prone vegetation; and decades of fire suppression such as a decrease in controlled burns has led to a buildup of natural fuel, leading to larger and more destructive fires;

WHEREAS, these factors are resulting in longer and more destructive fire seasons and commensurately higher costs (both in dollars and resources) for fighting fires and recovering from them, a trend that will likely accelerate in the future; and

WHEREAS, many energy companies and the communities they serve are devising and implementing comprehensive programs to mitigate and manage wildfire risk, including more frequent vegetation management cycles, increasing emergency response capabilities, and making new infrastructure investments there remain challenges and barriers in instituting these resiliency programs; and

WHEREAS, as part of a comprehensive approach to managing wildfire risk, energy companies engage in vegetation management on and off their rights-of-way (ROWs) on private, state, and federal lands; however, critical energy infrastructure is often sited in ROWs that are susceptible to catastrophic wildfires and once ignited, intense wildfires can overwhelm energy infrastructure even in well-maintained ROWs; and

WHEREAS, gaining timely access to perform vegetation management inside and outside of ROWs to reduce fuel load remains a major challenge and creates liability concerns for the energy industry; and

WHEREAS, responsible vegetation management on all lands, combined with preservation of public access routes actually reduce the risk of wildfire, and improve forest health, enhance wildlife habitat, and provide recreation opportunities which create beneficial cash flow for local, state and national economies,

THEREFORE, BE IT RESOLVED, the {state} legislature will work to reduce the legislative and regulatory barriers to the shared goal of preventing and extinguishing wildfires, performing vegetation management, both inside and outside of the ROWs; developing and deploying new technologies that can enhance wildfire detection and response; and address liability concerns for the energy sector.

RESOLUTION TO SUPPORT COMPETITION AND CONSUMERS CHOICE IN ELECTRICITY MARKETS

Whereas, many retail electricity consumers in the United States have no choice but to purchase services from a monopoly electric utility even though monopolies are ~~no longer~~ not needed in the retail electricity services market.

Whereas, giving retail consumers, including homeowners, businesses, and industry, a choice of electricity services companies would lower energy bills and enhance consumer value.

Whereas, thirteen states and the District of Columbia have implemented retail consumer choice.

Whereas, electricity prices in the retail consumer choice jurisdictions have trended downward while prices have risen in states with monopoly regulation, according to a 2017 Retail Energy Supply Association report.[1]

Whereas, in states where consumer choice is allowed but a monopoly utility still offers default service, retail competition for residential consumers remains sluggish and little innovation has occurred because of the market power exercised by the utility, according to a 2014 academic journal article[2] by Purdue University professor Lynne Kiesling.

Whereas, several regions of the country have organized competitive wholesale electricity markets, but many states in these regions are still served by a vertically integrated, monopoly electric utility, precluding consumer benefits from competition in the wholesale sector.

Whereas, today's retail electric power system is largely run and regulated the same way it has been since the early 1900s in states without consumer choice.

Whereas, advanced technologies are creating an opportunity to modernize the electric power grid, transforming it into a platform where energy resources across the grid, and increasingly behind the consumer's side of the meter, play a major role in meeting system needs in a more efficient, cost-effective manner leading to lower consumer bills.

Whereas, such a platform can link multiple consumers and producers, which would create additional consumer choices, increase efficiency, and spur technological innovation.

Whereas, the incentives embedded in the retail electricity regulatory framework ~~designed for~~ inherited from the last century are blocking the transition to a modern, 21st century grid.

Whereas, the transmission and distribution grid is the only segment of the electricity system that ~~is still~~ can possibly be considered a ~~legitimate~~ natural monopoly.

Whereas, the generation and retail services sectors of the electricity system can be competitive, as shown over the past twenty years.

Whereas, monopolies should be limited to economic sectors where competition cannot emerge due to economies of scale.

Whereas, the State of Texas has restricted privately owned electric utility - monopolies in its Electric Reliability Council of Texas (ERCOT) region to just providing transmission and distribution services.

Whereas, Texas is the only state that has done such a restriction and the ERCOT retail electricity services market is consequently far more competitive than anywhere else in the country, as measured by customer switching between retail providers and percentage retail price decreases.

Whereas, this competition in Texas has enabled innovation, better customer value, and greater consumer choice.

NOW, THEREFORE, LET IT BE RESOLVED, all electric utilities monopoly in the United States, ~~both public and privately owned~~ including any affiliates, should be restricted to ~~the~~ providing transmission and distribution ~~grid~~ services, so that robust competition and consumer choice can emerge in the retail services and wholesale ~~electricity~~ markets, facilitating a transition to a modern, 21st century grid.

[1] Philip R. O'Connor, Ph.D, *Restructuring Recharged: The Superior Performance of Competitive Electricity Markets 2008-2016*, Retail Energy Supply Association (2017),.
[2] Lynne Kiesling, Ph.D, "Incumbent Vertical Market Power, Experimentation, and Institutional Design in the Deregulating Electricity Industry," *The Independent Review*, v. 19, n. 2, (Fall 2014),.

IPAA
INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA

ENERGYINDEPTH

KEEP IT IN THE GROUND: Energy Exploration, Delivery and Use: Threats and Opportunities

JEFF ESHELMAN / jeshelman@ipaa.org / @jeffeshelman

Hydraulic Fracturing

- Open fluid pits
- Hazard chemicals underground and around pads
- Carcinogens lead into groundwater
- Seismicity
- Radiation - produced H20 and muds/cuttings
- Water use, air contamination

Lawsuits

- Exxon Knew (NY and Massachusetts state attorneys general)
- Nuisance and Negligence (8 suits; Temps and Seas Rise = Climate Change = Potential Liability)
- Children (9 suits by Our Children's Trust – government is "trustee of the atmosphere")

Shareholder Climate Resolutions

- APC, CHK, CVX, COP, DVN, EQT, XOM, KM, MPC, NBL, RRC, VLO
- Filers: As You Sow; Unitarian Congregations, NY/Phila Retirement Funds; Rhode Island Treasurer; Steelworkers; Trillium Asset Management; Foundations, Presbyterian Church, etc.
- Focus on four key areas:
  - 1.) risk assessment
  - 2.) methane
  - 3.) lobbying disclosure
  - 4.) energy transition

Exploitation of Vulnerable Communities

- Wells disproportionately placed near minority communities
- Jobs, profits to corporations
- Explosions

Pipelines Protest

- Environmental Justice: interference, spiritual rights, ecosystem rights
- Lawsuits / FERC / Army Corps of Engineers intervention (Mountain Valley, Atlantic Coast)
- Cyber Attacks

Attack on Petrochemical Plants / "Petroleum Sacrifice Zones"

- Petrochemical and plastic facilities will cause a new cancer alley in Appalachia
- Target the use of plastics and non-biodegradeables (new consuming industries of NG)

Emissions

- Methane, CO2, SOX, NOX

Health

- Cancer, birth defects, lung irritants, headaches, infant mortality

Worker Safety and Mortality

- Death and injury rates – skewed

Divestment

- #FossilFree college movement
- State pension and retirement funds

Elections

- Ballots and bans – setbacks (CO, OH)
- Moratoria (NY, VT, MD)

Other

- Grid Reliability
- Residential Electrification (stoves, heat, cooling)
- Legislation / regulation (Endangered species, WOTUS, federal lands)
- Divide the industry (large vs. small companies)

IPAA / EID / INDUSTRY ACTION:

Boots on the Ground (PA, OH, WV, CA, CO, TX, IL, FL, NM)

Rapid Response (Talking points, infographics, videos, fact sheets)

Original Research (EID Health, EID Climate, Divestment Facts)

Social and Traditional Media

Audience Focus: Industry, Media, Policymakers (not necessarily general public)

Widespread coordination with industry, allied groups

CRAIN'S
NEW YORK BUSINESS

[Drill down, and fossil-fuel divestment comes up costly]

By Jeff Eshelman, Independent Petroleum Association of America Senior Vice President of Operations and Public Affairs
Crain's New York Business Op-Ed
October 10, 2018

Fossil-fuel divestment has come under a microscope, with news reports touting the so-called "growth" of the movement and Mayor Bill de Blasio calling on more cities to give up their investments in the industry. Unsurprisingly, many facts have been left by the wayside.

Divestment has been front and center in New York's political debates over the past year. There's been disagreement on the state level, with Gov. Andrew Cuomo pushing divestment but Comptroller Thomas DiNapoli resisting, citing his fiduciary duty and the importance of the energy sector. "Fossil fuels continue to play an integral role in powering the world's electricity generators, industry, transportation and infrastructure," the comptroller said.

Meanwhile in New York City, the mayor's office has proclaimed that divestment is underway, when in reality the city has only commenced a request-for-information process to gather comments on how some of the city's pension funds might go about divesting. No actual divestments have occurred.

So what's all the hubbub about?

Last month divestment proponents claimed the movement is growing, an attempt to generate attention for a week of climate-change meetings in New York City and earlier in San Francisco. Yet instead of focusing on the environment—a topic we all agree is important—divestment has proven a distraction.

For starters, divestment is costly. In order to get past the purely political rhetoric that often consumes the debate, my organization, the Independent Petroleum Association of America, has commissioned research to look at what the actual financial impact of divestment would be for both the city's and state's pension funds. Findings from Prof. Daniel Fischel of the University of Chicago Law School and co-authors Christopher Fiore and Todd Kendall of economic consulting firm Compass Lexecon point to substantial shortfalls in investment performance, with no impact on the environment or targeted companies.

According to their research, divestment by New York City's five pension funds—which are valued at roughly $175 billion and serve the city's teachers, police, firefighters and civil servants—would cost a $98 million to 120 million annually and $1.2 billion to $1.5 trillion over 50 years. For the New York State Common Retirement Fund, a $192.4 billion fund that serves over a million retirees and beneficiaries, full fossil fuel divestment would cost up to $198 million in foregone returns every year and $1.5 trillion over 50 years.

These real dollars supporting real people would be given up for symbolism. With the average annual New York City pension being about $40,000, a $120 million loss due to divestment is the equivalent of 3,000 yearly pension payments for 3,000 city retirees. And because the state constitution requires that pensioners be paid, the city must make up shortfalls by taking more from taxpayers.

These costs emerge for many reasons. First, energy companies provide a great diversification benefit for a portfolio. In other words, divesting energy stocks from a given portfolio means taking on higher amounts of risk, sacrificing returns, or both. Divestment also imposes fees related to selling fossil-fuel holdings and replacing them, as well as immense, ongoing compliance costs to remain "fossil free" by whatever definition is set forth. These costs were not incorporated into the report's estimates, meaning the billions in losses laid out above are just the tip of the iceberg.

What's more, even if you are willing to put the city's pension funds at risk, divestment has no impact on the environment. William Coaker, chief investment officer of the San Francisco Employees Retirements System, recently stated, "Divestment alone does not harm or punish companies that produce fossil fuels, and the only parties that could be negatively impacted by divestment are those that are not invested in them." Energy companies are also investing billions in energy-efficiency and emissions-reduction technologies, efforts that should be supported by environmental proponents, not divested from.

Divestment proponents want state and city leaders to put their money where their mouth is and give up fossil-fuel investments, but to do so ignores reality. Divestment is a high-cost, ineffective means of supporting the environment. It's time divestment activists and government leaders focus on solutions and not another empty promise with a hefty price tag. After all, it's you who will foot the bill.

Jeff Eshelman is the senior vice president of operations and public affairs at the Independent Petroleum Association of America.

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Udall's comments also fail to recognize the damaging economics of this previous rule for an industry that provides $11.3 billion to the New Mexico economy.

Udall claims that "BLM's own analysis found that scrapping the methane rule would lead to more than $1 billion in wasted natural gas and pollution. This wasteful decision will hit New Mexico the hardest, where royalty resources are sorely needed." But he fails to mention that only by including its deeply flawed and inappropriate "social cost of methane" estimate was the Obama administration able to claim that the benefits of its version of the venting and flaring rule outweighed its projected costs.

Excluding the "social cost of methane," the Obama rule's net costs came to $259 million. Based on the Obama administration's own math, its rule would have no doubt been devastating for the smaller operators who are prevalent on federal lands. Considering that 73 percent of federal onshore wells are marginal producers, it is no surprise that a recent analysis by consulting firm Environmental Resources Management found that 40 percent of wells on federal lands could be shut in permanently because they would become uneconomical under the Obama version of the rule. In a state such as New Mexico, which relies heavily on revenues generated by oil production, such an impact would be devastating.

Above all else, the Trump administration's actions were driven by the law. A regulatory impact analysis is required to determine if costs of proposed federal regulations are excessive, including loss of employment. If costs are found to be excessive, alternatives are to be sought. The Obama administration refused to abide by this law in its haste to rush its BLM rule out the door shortly before the Trump administration took over. But after estimating the Obama version of the BLM rule would have cost $1.3 to 1.6 billion over 10 years, the Trump administration appropriately sought an alternative.

Sen. Udall is right about one thing: "royalty resources are sorely needed" in New Mexico, and they've resulted in a $1.2 billion budget surplus in the coming biennium. The Obama administration's version of the BLM venting and flaring rule would have driven down those revenues and hurt New Mexico's economy and the variety of services provided to residents of the state.

Coupled with the fact that methane emissions from venting and flaring — and oil and gas methane emissions in New Mexico and throughout the United States — are declining at the same time production is booming, it is clear that the Trump administration's alternative is the right move for the Land of Enchantment, and for the United States moving forward.

Barry Russell is the President and CEO of the Independent Petroleum Association of America, the leading, national upstream trade association representing oil and natural gas producers that drill 90 percent of the nation's oil and natural gas wells. These companies account for 54 percent of America's oil production, 85 percent of its natural gas production, and support more than 2.1 million American jobs. Learn more about IPAA by visiting www.ipaa.org and following @IPAAaccess on Twitter.

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WASHINGTON Examiner

Good riddance to Obama's gas flaring rule

By Barry Russell, Independent Petroleum Association of America President and CEO
Washington Examiner Op-Ed
October 1, 2018

The release of the Bureau of Land Management's waste prevention rule, also known as the BLM venting and flaring rule, is welcome news for the future of energy development and environmental protection. Oil-producing states' economies are also set to benefit.

Despite this, some members of Congress were quick to bash the new rule. Sen. Tom Udall, D-N.M., a vocal critic of the revision, said it would mean that "states like New Mexico and responsible natural gas producers must step up and act to stop methane emissions on their own."

Actually, that's a good thing. The administration's methane rule is more flexible, letting individual states' regulators, not federal bureaucrats in Washington, determine the best methods for regulating emissions.

Because the Department of the Interior has limited authority to regulate air quality, and because oil and natural gas venting and flaring is already regulated at the state level and through the EPA, the Trump administration's revision represents common sense. In contrast, the Obama-era version of the rule was rushed, duplicative, and created using flawed economic data.

This new ruling will honor the efforts of oil and natural gas companies to protect public lands and the environment. It will also provide a path forward that supports energy development, environmental protection, and economic growth.

Unfortunately, these realities are still lost on politicians like Udall. He claimed that the Obama rule would have had "no negative effect on job creation or on the booming U.S. oil and gas production on federal lands." Considering Sen. Udall represents a state whose economy and public school system rely heavily on a thriving oil and gas industry, his claims require correction

For starters, the latest data from the EPA show that methane emissions from venting and flaring have not only declined significantly in recent years, but are lower than previously thought. That's an indicator of industry's existing and ongoing commitment to air quality.

The regulation of air quality is also the jurisdiction of the EPA, not the BLM. The BLM does not have any legal authority to regulate air quality. Yet the Obama administration sold its previous version of this BLM rule as an effort to improve air quality.

The BLM does have the authority to regulate waste under the Mineral Leasing Act. However, as Udall is surely aware, New Mexico and the seven other states that are responsible for 99 percent of the oil produced on federal lands already have their own rules regulating venting and flaring on the books. In fact, the Trump administration's more flexible revised rule gives states, including New Mexico, the power to implement something like the Obama version if they so choose.